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DOCKETED BY

Bill Mundell, Chairman

Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007**Mr. & Mrs. Fay E. Schlottfeldt**

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Rio Verde, AZ 85263-7041

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~~WS-02156A-00-0323~~

Dear Commissioner Mundell;

In November we wrote you asking for your help for our small retirement community of Rio Verde in the Northeast Valley.

Our Rio Verde water utility company is essentially developer-owned. They have filed for an almost 80% increase in our residential water rates and 37% in sewer rates. Totally beyond reason.

We now have seen your staff's recommendations and what they recommend would result in even higher profits than the Utility Company asked for. What kind of help is that? If we can't get fairness from you and your staff, where do we go? !

Bill, this is a company that badly needs financial restructuring and a new pricing system to avoid continuous war with it's embedded customers as new developments are added. It is a good water company but its plant additions have been expedient as a result of fast growth. I believe that not wanting to take the time to deal with long term planning is a problem encountered by your staff as well. They apparently looked at this through bookkeeping eyes rather than customer oriented financial planning eyes.

Your staff followed the company and completely ignored a huge excess water storage facility that had no developer contribution!

This was a million dollar plus facility that was only marginally useful to the customer base in 1999. It is totally unfair to us to have to bear all of that cost. (RUCO could see this and acknowledges it in their recommendation.)

The problem is, I have to assume that this was just hurried analysis on the part of the staff. I am concerned that the rate payers interest may not be in your staff's focus because they are too consumed by larger issues than our little locale.

The same is true with the staff acceptance of a faulty capacity reading by the company for sewer plant. There is no way this retirement community has an average occupancy of 3.6 people per home at any time during the year. With 156 widows and widowers and 1,556

married couples, many just part time residents, our average is less than 2. Almost half of the current sewer plant is for future use of the developer's new projects and neither the company nor the staff should have accepted only a 35% exclusion from the rate base. (RUCO did not have time to look at this, so accepted the company's numbers, as did your staff.)

At the root of this problem, Rio Verde Utilities has not demanded enough advances for construction from the developers.

They, as well as your staff, need to back off of this rush to accounting detail and take a whole new look at those inadequate contributions. Further, the company and staff need to plan service connection impact fees that would enable growth to recover the additional contributions of this expensive plant. Not current customers!!

We don't think this overcapacity and developer underfunding is arguable. It must be an oversight by your staff. It cannot be a conscious conclusion. A "pause and re-planning" by the Company and the ACC staff is mainly needed to avoid unfair mistreatment of us ratepayers as the developments continue to grow.

Please, if we can't depend on the staff to look out for us, can we depend on you and your fellow Commissioners?

I suggest you look at the Rio Verde Community's intervention testimony from Mr. Dan Neidlinger. It is short and does make a longer term strategic financing view. It is not a short term fix and may keep us from this constant conflict and appearance of developer collusion, such as will be the case if your staff or the company plans are ordered.

We are hoping Rio Verde Utilities will review this, see the unfairness of their proposal, and will accept these concepts.

If they won't, we hope the Arizona Corporation Commissioners will.

Thank you for listening to this plea, this is serious problem. We don't think the Developer nor the Utility Company are naturally predatory. Their officers are mostly also residents and good people. We think they are not thinking this through, are being short sighted and expedient to get a necessary rate case filed and approved.

Sincerely;



Copies to:

Jim Irvin, Commissioner; Marc Spitzer, Commissioner

Mary Lee Diaz-Cortez - RUCO

John Williamson, Rio Verde Community Assn;

Dave Ritchie, Rio Verde Utilities, Merideth Hale, Rio Verde Community Assn.